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Welcome to the second edition of EY’s Sub-Saharan Africa Talent Trends and Practices survey. This year we are delighted to see an increase of almost 40% in participation (with particularly strong interest coming from the Eastern and Western regions) as we strive to fulfil our commitment to build a substantive knowledge base about human capital on the continent.

Africa’s growth story continues to unfold as EY’s Africa Attractiveness Survey for 2014 finds that Africa’s attractiveness as an investment destination relative to other regions is ranked second overall. However as an earlier edition of this survey predicted, the window of opportunity to act before others woke up to the possibilities on the continent would not remain open for long, and it now appears that that window of opportunity is indeed narrowing.

The talent trends that we are seeing indicate that the environment is indeed becoming more competitive. Growth expectations are not as high as they have been; something that impacts the priorities that companies set for the human resources that support their strategies. Technical and professional skills in particular are in demand, and organisations are finding it harder to attract skills whilst seeing more mobility in the labour market. In response, organisations are increasingly being required to be more deliberate and think in a more detailed way about their skills and talent needs and what processes they need to have in place, if they are to hold their own.

Our grateful thanks go to all those organisations across the continent who participated in the survey, and the EY country offices and staff who were kind enough to dedicate time and support to the process. We hope the results bear out the trust you placed in EY through your participation.

David Storey
EMEIA People and Organisational Change Leader

David Storey | Director | EMEIA People and Organisational Change Leader | Advisory
Ernst & Young Advisory Services (Pty) Ltd
Executive summary
Executive summary

There is a rising war for talent in Sub-Saharan Africa. As companies gear up for growth, the demand for skills needed to support such ambitions has increased, and is being matched by greater mobility in the labour market. In order to remain competitive, companies need to be deliberate in how they plan and respond to these challenges.

Greater competitiveness is causing organisations to consolidate and enhance their positions

It would appear that conditions in Sub-Saharan Africa are becoming more competitive and that the opportunities for unrestrained growth are not uniformly high. As a result, most organisations surveyed are focused on protecting their businesses by increasing market share in current markets, optimising resources or processes, and building their organisational capabilities. This general trend of focussing on entrenching and consolidating existing positions affects how organisations are approaching the labour market: many companies are recruiting only to support small growth ambitions, and expect that their recruitment needs will not change substantially within the next 12 months.

Competition also seems to be promoting greater mobility in the labour market

Another impact that greater competitiveness is having on the labour market is an increase in mobility. Whilst still low, staff turnover has increased; particularly in respect of executives, professional, and technical staff. The trend is most visible amongst local staff in these categories, rather than expatriates. A related trend is the greater time taken to fill positions across all staff categories, something that signals a rise in the competition for skills, and thus greater mobility for those who possess them.

Recruitment strategies remain constant

In this context of a more competitive environment, local skills continue to remain the preferred employment option. But organisations recognise that expatriates can fill a valuable gap in providing specialist expertise—so much so that while the demand for expatriates remains constant, participants’ desire to reduce their reliance on this group has markedly declined.

Despite the more favourable attitude of employers, hiring expatriates still presents challenges. It takes longer to hire expatriates, there is a strong perception that governments are making it harder to recruit expatriates, and managing the compliance risks associated with expatriates is a chief concern of organisations who do go this route.

Experience and expectations in respect of recruitment from other African countries and the returning African diaspora remain unchanged, suggesting that organisations are seeing these as supplementary rather than alternate labour markets.

More than pay is needed to retain staff

In a more competitive labour environment the ability to attract and retain skills becomes increasingly important. Organisations appear to be recognising the significance of this trend. While the ability to offer competitive pay packages is recognised as key to attracting employees, factors relating to the workplace environment (learning and development opportunities and the quality of management) are viewed amongst the most important factors for retaining staff.

Towards a more deliberate response to managing talent

Organisations are also recognising that the competitive labour environment demands a more deliberate, integrated response. A particular focus will have to be turning activities identified as HR priorities—workforce planning, performance and reward, management and leadership development, and talent management and succession—into formalised processes. Only once this is done will managers be fully empowered to ensure that their staff are productive, engaged and, ultimately, retained.
What is clear to us is that we Africans are presented with a **wonderful opportunity** to make a genuine difference in our working lives. This is the time and place for **Africa’s future**; it is our generation of **leaders** that can make it happen.

*Ajen Sita, CEO of EY Africa*
Survey profile
Survey profile

Participation in this year’s research was 38% higher than participation in the 2013 survey, thus strengthening the conclusions. In all, 308 companies from 23 countries across Sub-Saharan Africa contributed feedback, representing approximately 415,000 employees.

Data has been consolidated and analysed into five regions – the percentages indicate each region’s share of the total responses.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Africa</td>
<td>10.71%</td>
</tr>
<tr>
<td>Eastern Africa</td>
<td>34.74%</td>
</tr>
<tr>
<td>French-Speaking Sub-Saharan Africa</td>
<td>12.01%</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>21.75%</td>
</tr>
<tr>
<td>Western Africa</td>
<td>20.78%</td>
</tr>
</tbody>
</table>

Nigeria accounted for 14.29% of responses, Kenya 24.68% and South Africa 6.2%.
Sector representation

Respondents were drawn from both the public and private sectors. Within the private sector, roughly the same number of multinationals participated as in the 2013 survey, whilst participation from indigenous companies more than doubled.

<table>
<thead>
<tr>
<th>Sector</th>
<th>% representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector</td>
<td>14.61%</td>
</tr>
<tr>
<td>Private sector</td>
<td>85.39% of which</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>• Multinationals</td>
<td>38%</td>
</tr>
<tr>
<td>• Indigenous companies</td>
<td>62%</td>
</tr>
</tbody>
</table>

Private sector industry representation

Companies from all industries participated in the survey, with the highest participation coming from the financial services and manufacturing, wholesale and related services industries.
Workforce composition

Two broad metrics should be highlighted:

Ratio of total staff to managers / span of control. Across the survey sample, the average span of control per manager is nine staff per manager.

Ratio of expatriates to indigenous employees. Across the total sample, the average is 37 staff per expatriate employee.
Organisational and HR priorities

- Private sector organisations are primarily focused on protecting their existing businesses, whereas the public sector is most concerned with improving service delivery, building organisational capacity, and optimising resources or processes.

- As a result, the majority of companies (43%) recorded low growth in profits before tax (0 - 10% range). Conversely, only one-third reported profits in excess of 15%.

- Multinationals tend to generate better returns on their investment in their people, but the gap between them and their indigenous counterparts has narrowed since 2013. Revenues per head have declined since 2013 across the board.

- The oil and gas industry is the sector with the best return on its investment in people.

- Generally, organisations consider talent management and management/leadership development as high priorities — but recognise they lack capacity to deliver in these self-same areas. Workforce planning, performance management and employee engagement have all become higher priorities.

- High-growth organisations tend to see performance and reward, workforce planning, and employee engagement as key priority areas.

- HR IT services are most likely to be delivered from a central, head office function whilst administrative processes are most likely to be fully devolved to the country level.
Organisational and HR priorities

Organisational priorities

We asked respondents to identify and rank their organisational priorities, which in turn can be clustered into three strategic themes:

- Grow the business
- Protect the business
- Innovate

For the private sector, organisational priorities were classified as follows:

<table>
<thead>
<tr>
<th>Grow</th>
<th>Protect</th>
<th>Innovate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make acquisitions</td>
<td>Increase market share within current markets</td>
<td>Develop new technology/use new technologies to drive innovation</td>
</tr>
<tr>
<td>Pursue organic growth</td>
<td>Reduce costs</td>
<td>Design new products and services</td>
</tr>
<tr>
<td>Enter new markets</td>
<td>Build organisational capability</td>
<td></td>
</tr>
<tr>
<td>Forge partnerships</td>
<td>Improve risk management</td>
<td>Business process innovation</td>
</tr>
<tr>
<td></td>
<td>Optimise resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Restructure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Design new products and services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business process innovation</td>
<td></td>
</tr>
</tbody>
</table>
Within the private sector the predominant strategic focus is not growth, but on protecting the business where key priorities are to increase market share in current markets and optimise resources and processes.

Organisational priorities consolidated

* Scale represents the relative ranking
For those organisations focusing on innovation, designing new products and services is a key focus area. Whilst for those organisations focusing on growth, entering new markets is a key focus area.

Within the private sector, indigenous companies and multinationals by and large have similar organisational priorities, although indigenous companies are more likely to pursue strategic objectives with an innovation focus.

**Private sector organisational priorities**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Multinational</th>
<th>Indigenous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase market share in current markets</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Optimise resources or processes</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Reduce costs</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Build organisational capability</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Design new products or services</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Improve management of risks</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Enter new markets</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Business process innovation</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Technology innovation</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Restructure/redesign of the organisation</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Grow organically</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Partnerships</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Grow by acquisition</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

A similar clustering and ranking of organisational priorities was undertaken for the public sector. Protecting the business similarly emerged as the dominant strategic theme with key priorities focussing on improving service delivery, building organisational capacity, and optimising resources or processes.

Taking an industry focus, it can be seen that increasing market share in current markets is a top strategic priority for most industries, with the exception of agriculture, logistics and mining. The only industry sectors to display a focus on innovation are technology and communication and health care.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1. Reduce costs, 2. Optimise resources or processes, 3. Restructure / redesign the organisation</td>
</tr>
<tr>
<td>Financial Services</td>
<td>1. Increase market share in current markets, 2. Build organisational capability, 3. Optimise resources or processes</td>
</tr>
<tr>
<td>Health care</td>
<td>1. Increase market share in current markets, 2. Reduce costs, 3. Improve business processes</td>
</tr>
<tr>
<td>Hospitality and tourism</td>
<td>1. Reduce costs, 2. Increase market share in current markets, 3. Build organisational capability</td>
</tr>
<tr>
<td>Logistics and transport</td>
<td>1. Optimise resources or processes, 2. Build organisational capability, 3. Reduce costs</td>
</tr>
<tr>
<td>Manufacturing and wholesale</td>
<td>1. Reduce costs, 2. Increase market share in current markets, 3. Optimise resources or processes</td>
</tr>
<tr>
<td>Mining</td>
<td>1. Reduce costs, 2. Optimise resources or processes, 3. Build organisational capability</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>1. Increase market share in current markets, 2. Optimise resources or processes, 3. Build organisational capability</td>
</tr>
<tr>
<td>Services</td>
<td>1. Increase market share in current markets, 2. Grow organically, 3. Optimise resources or processes</td>
</tr>
<tr>
<td>Technology and telecommunications</td>
<td>1. Increase market share in current markets, 2. Technology innovation, 3. Design new products or services</td>
</tr>
</tbody>
</table>

**Productivity**

Given that the overall strategic focus on protecting their businesses, it is logical that growth in profit before tax was somewhat constrained. One-quarter (26%) of respondents reported fairly low growth in profit before tax of between 10 and 15 percent, while a substantial 43% recorded growth in profit before tax in the 0 to 10% range.

In the higher ranges, just under one-third (31%) reported profits in excess of 15%.
Organisational effectiveness and labour efficiency

Revenue earned per head (employee) and payroll costs as a percentage of revenues earned provide useful measures of how effectively organisations are using their labour, and the returns they get from doing so. The following graphs compare these measures by organisational type and industry.

When these ratios are compared between multinationals and indigenous companies, it is clear that multinationals gain a better return on their investment in human capital. They spend proportionately slightly less than their indigenous counterparts but generate higher revenues per head.

In comparing industries it is clear that the oil and gas industry is the best performer with a high revenue per head and low payroll cost to revenue ratio.
Return on investment in people

Another very useful set of measures is the percentage of payroll invested in training and the average revenue per head. It provides a gauge of what return organisations are gaining from their investment in training their employees.

Multinationals receive a better return on their investment in people; spending proportionately less (although only slightly so) on training, but generating higher revenues per head than their indigenous counterparts.

From an industry perspective, the oil and gas sector generates the best return on investment in people: a slightly higher investment in training (less than a percentage point) provides almost double the revenues per head generated by the mining sector.

Return on investment in people - Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average revenue per head ('000s USD)</th>
<th>Training cost/payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>263</td>
<td>0.28%</td>
</tr>
<tr>
<td>Financial services</td>
<td>290</td>
<td>0.98%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>36</td>
<td>2.78%</td>
</tr>
<tr>
<td>Hospitality, tourism and events</td>
<td>49</td>
<td>2.79%</td>
</tr>
<tr>
<td>Logistics &amp; transport</td>
<td>113</td>
<td>3.92%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>266</td>
<td>1.36%</td>
</tr>
<tr>
<td>Mining</td>
<td>474</td>
<td>2.26%</td>
</tr>
<tr>
<td>Oil &amp; gas</td>
<td>692</td>
<td>3.38%</td>
</tr>
<tr>
<td>Services</td>
<td>540</td>
<td>3.06%</td>
</tr>
<tr>
<td>Technology &amp; telecommunications</td>
<td>76</td>
<td>1.70%</td>
</tr>
<tr>
<td>Overall</td>
<td>219</td>
<td>1.78%</td>
</tr>
</tbody>
</table>

Return on investment in people - Organisational type

<table>
<thead>
<tr>
<th>Type</th>
<th>Revenue per head ('000s USD)</th>
<th>Training cost/payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multinational</td>
<td>270</td>
<td>1.28%</td>
</tr>
<tr>
<td>Indigenous</td>
<td>175</td>
<td>1.39%</td>
</tr>
<tr>
<td>Overall</td>
<td>219</td>
<td>1.78%</td>
</tr>
</tbody>
</table>
HR priorities and organisational capacity to deliver

The HR priority / capacity chart below maps respondents’ rankings of a set of HR activities and, critically, their capability to perform them. Activities falling in the lower right-hand quadrant are of the highest importance, and are those in which respondents indicated they had the least capability to deliver.

- Talent management and management and leadership development are areas of high priority and low capacity. They are consequently areas to which organisations should pay attention.
- Workforce planning, performance management and employee engagement have become greater priorities for all respondents in contrast to their ranking in the 2013 survey.
- Sourcing scarce and critical skills has become less of a priority for respondents since the 2013 survey, although capacity in this area remains limited.
- Respondents indicate a very limited capacity to undertake skills transfer from expatriates to local employees; however, this is a very low priority for them.

2013 HR priority / capacity chart – all respondents
Organisations experiencing high growth (an increase in profit before tax in excess of 25%) see performance and reward, workforce planning, and employee engagement as high-priority activities.

Multinationals prioritise employee engagement, workforce planning, and compliance with labour laws. Indigenous companies prioritise employee engagement, workforce planning, and performance and reward.

From a capacity and priority perspective, multinationals are most concerned about their capabilities in employee engagement and talent management and succession planning. Indigenous companies are most concerned about talent management and succession planning, and sourcing scarce and critical skills.
What drives HR priorities?

HR priorities derive from the strategic priorities that organisations adopt. In this regard, we see that:

- Organisations with a strategic objective to grow see recruitment as an HR priority.
- Organisations with a strategic objective to protect their businesses see talent management and succession planning as a strategic priority.
- Organisations with a strategic priority to innovate view skills transfer from expatriates to local staff and managing diversity as strategic priorities.

**Grow**
- HR strategy development
- Employee engagement and culture
- Recruitment
- Labour regulatory compliance
- Management and leadership development

**Protect**
- HR strategy development
- Employee engagement and culture
- Management and leadership development
- Performance and reward
- Talent management and succession planning

**Innovate**
- Employee engagement and culture
- Expatriate to indigenous skills transfer
- Labour regulatory compliance
- Managing diversity
- Recruitment

HR service delivery

This section focuses exclusively on the private sector. The data shows that HR information systems are most likely to be provided centrally from a single head office point whilst labour relations, payroll, and recruitment are functions most likely to be fully decentralised. HR strategy, performance management, leadership development, and talent management are functions that local operations are likely to have some freedom in customising but within guidelines set by a central head office.
Sourcing, managing and retaining talent

- The relative scarcity of skills has not changed materially over the past 12 months.
- Those organisations recruiting staff to enable strong growth tend to be indigenous and are more likely to be based in Western Africa or French-Speaking Sub-Saharan Africa.
- Technical and professional skills are most in demand, especially by companies planning for strong growth, while demand for executive skills is weakest.
- While employee turnover remains low, there are signs of greater employee mobility.
- It is becoming easier to fill executive vacancies with local talent.
- Local talent continues to be favoured over expatriates, with other African countries and the returning African diaspora considered to be acceptable supplementary sources of talent.
- Executive search firms, recruitment agencies and company websites remain the most common recruitment methods but online / digital channels are growing in importance. Company websites and online advertising are now in the top five preferred recruitment channels.
- The strength of the employer’s brand remains the most important factor for attracting talent, followed by a competitive salary and learning/development opportunities.
- The quality of the workplace and the work experience are now as important as financial benefits when it comes to retaining employees. This year’s top retention factors are learning and development opportunities, job security, benefits, and the quality of management and leadership.
Sourcing, managing and retaining talent

Scarcity of skills

It would appear that skills have not become markedly more scarce over the past 12 months. This conclusion is based on the fact that organisations’ perceptions about how hard or easy it is to recruit skills have not materially changed over the period.

In the private sector, there is an almost equal balance between those who find there is no change, those who find it harder to recruit skills and those who find it easier. By contrast, there has been some movement in the public sector, where almost half of the respondents say it is easier to recruit the skills they need. These overall trends are duplicated regionally.

Those respondents who found it easier to recruit during the past 12 months cited the following reasons:

- Improvement in HR processes and in particular, recruitment processes.
- A stronger employer brand.
- The use of capable agencies and HR service providers to undertake recruitment.
- High unemployment rates and the resultant availability of labour.
- Recruitment focus on entry-level jobs.

Those who found it harder to recruit over the same period attributed this to the lack of talent with the right skills – particularly in niche / specialist disciplines. Specific concerns included the availability of skills, the quality of skills / levels of competence, and levels of experience.
Demand for skills

Over the past year, recruitment of new staff has been primarily driven by two factors:

- Maintaining existing staffing levels by replacing staff lost through the normal processes of staff turnover.
- Engaging new staff to enable growth.

Analysing the balance between hiring simply to stay in the same place and hiring to grow reveals some interesting trends, with growth seeming to be more likely amongst indigenous companies in Western and French-Speaking Sub-Saharan Africa:

- 31% of respondents revealed that they were expanding headcount to support high growth.
- One in two multinationals recruited simply to maintain existing headcounts and to support slight growth. The picture is somewhat different when it came to indigenous companies, one-third of which were recruiting both to maintain existing headcounts and grow substantially.

- Growth prospects (at least as revealed by recruitment plans) also differed between the regions, with French-Speaking Sub-Saharan Africa (48%) and Western Africa (45%) more likely to be recruiting to support ambitious growth plans. By contrast, fully one-third of Southern African organisations are recruiting simply to maintain the status quo, with no plans for growth.

- In general, public-sector respondents are hiring only to maintain existing staffing levels or support low growth.

Why organisations recruited – last 12 months

- 31% We recruited to replace staff turnover and grow the organisation a lot
- 19% We recruited to replace staff turnover and grow the organisation a little
- 11% We recruited to replace staff turnover
- 39% We did not recruit at all or did not recruit enough to cover turnover for the organisation

Looking forward, recruitment expectations are fairly evenly spread. One in three respondents expect this demand to stay the same, whilst one-quarter expect the demand to increase.
As one might expect, however, those companies recruiting to support high growth expect their demand for skills to grow (40%) or at least remain constant (35%).

The demand profile for the various categories of skills remains unchanged, with the same level of recruitment for all categories expected in the next 12 months. Technical and professional skills are however more in demand, with a particularly strong appetite shown by the public sector.

Technical and professional skills are most in demand by companies planning for growth, while technical skills are most attractive to those companies focused on innovation.

Executive skills are least in demand.
Turnover

Employee turnover continues to remain low, with almost seven out of ten respondents reporting that less than 5% of their staff left their organisations in the last year. However, the figures do show a slight increase in employee mobility as compared with 2013, with only 69% of companies falling into the category of employee turnover under 5%, as compared with 76% in 2013.

2013 Estimated annual employee turnover

In line with our 2013 findings, respondents continue to find it easier to fill vacancies for customer-facing roles: approximately one-half of respondents indicated that they took less than two months to fill such positions. At the other end of the scale, executive positions are hardest to fill, with one-half saying they took more than four months to find such employees.

2014 Estimated annual employee turnover

When it comes to the use of expatriate and local skills, an interesting trend has emerged. In 2013 we noted that it was easier to fill vacancies for professional, technical, and customer-facing roles with local employees, and easier to fill executive and management vacancies with expatriates. This profile has altered, and in 2014 it appears that respondents are finding it easier to fill executive roles with local rather than expatriate candidates, and quicker — a greater percentage of these vacancies are filled within four months.

Furthermore, in other job categories, there is no longer any difference in the time taken to fill vacant positions between local and expatriate candidates. This is a reflection of the experience of indigenous companies. Multinationals, however, indicate that for all other categories it is easier to fill vacant posts with local candidates.

Average time to fill

In line with our 2013 findings, respondents continue to find it easier to fill vacancies for customer-facing roles: approximately one-half of respondents indicated that they took less than two months to fill such positions. At the other end of the scale, executive positions are hardest to fill, with one-half saying they took more than four months to find such employees.

When it comes to the use of expatriate and local skills, an interesting trend has emerged. In 2013 we noted that it was easier to fill vacancies for professional, technical, and customer-facing roles with local employees, and easier to fill executive and management vacancies with expatriates. This profile has altered, and in 2014 it appears that respondents are finding it easier to fill executive roles with local rather than expatriate candidates, and quicker — a greater percentage of these vacancies are filled within four months.

Furthermore, in other job categories, there is no longer any difference in the time taken to fill vacant positions between local and expatriate candidates. This is a reflection of the experience of indigenous companies. Multinationals, however, indicate that for all other categories it is easier to fill vacant posts with local candidates.
We also note that with the exception of executives, it is taking longer to fill all types of positions, as the percentage of jobs filled in 2-4 months has increased whilst the percentage of jobs filled in less than 2 months has decreased.

<table>
<thead>
<tr>
<th></th>
<th>Time to fill vacancies: &lt;2 months</th>
<th>Time to fill vacancies: 2 - 4 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Executives</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Management / Supervisor</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>Professional</td>
<td>38%</td>
<td>32%</td>
</tr>
<tr>
<td>Technical / Operational</td>
<td>50%</td>
<td>45%</td>
</tr>
<tr>
<td>Customer facing</td>
<td>63%</td>
<td>55%</td>
</tr>
</tbody>
</table>
Talent sources

The majority of respondents prefer to source talent from local talent pools: approximately two in five companies expect to recruit more local employees. A correspondingly high percentage, around 50%, expect to recruit fewer expatriates.

**Anticipated recruitment needs - expatriates vs local staff**

![Chart showing recruitment needs](chart.png)

This predisposition for local employees is reflected in the fact that current and expected future recruitment from other African countries or the returning African diaspora remains virtually the same as the 2013 survey results. These alternative labour markets thus seem to be seen as supplementing local labour pools rather than as a distinct recruitment area. Currently, 10% of respondents recruit in other African countries, and 20% from the returning African diaspora.

Those companies who are finding it harder to recruit talent this year than last are more likely to look to returning members of the African diaspora for their talent: more than one-third indicate they intend to do so.

**Expectations regarding recruitment from alternative labour markets**

![Bar chart showing recruitment](bar_chart.png)
Recruitment methods

It seems as though digital channels are becoming more popular for recruitment, although executive search firms, recruitment agencies and company websites remain the most common recruitment methods. However, social media climbs three places this year, and online advertising / job portals and the company website are now firmly within the top five preferred recruitment channels.
Attracting employees

This year’s findings show that the strength of the employer’s brand is the most important factor for attracting talent (75%), closely followed by a competitive salary (62%), and learning and development opportunities and job security (both 61%).

Companies of all types see their brand as the most important when it comes to attracting employees, but they differentiate themselves by the different emphases they place on the other top attraction factors. Thus, indigenous companies stress their ability to provide competitive benefits while multinationals tend to emphasise the opportunities for career growth they offer. Public sector organisations see their strategy and purpose, and the job security they offer, as setting them apart as desirable employers.
### Retaining employees

There has been a significant shift in the top retention factors, as compared with last year’s results. In 2013, the top four factors influencing employee retention were salary, benefits, levels of independence and the employer’s brand. This year, however, the top retention factors are learning and development opportunities, job security, benefits, and the quality of management and leadership. (Indigenous companies ranked learning and development as the second most important retention factor, and multinational companies ranked it third.)

This shift seems to indicate that the quality of the workplace and the work experience itself is becoming as important to retaining staff as financial benefits, and that fixed pay is no longer the dominant determinant of whether employees remain with an organisation or not.

### Retention factors for talent

<table>
<thead>
<tr>
<th>Indigenous companies</th>
<th>Multinationals</th>
<th>Public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer brand</td>
<td>Employer brand</td>
<td>Employer brand</td>
</tr>
<tr>
<td>Competitive employee benefits</td>
<td>Career growth opportunities</td>
<td>The organisation’s strategy and purpose</td>
</tr>
<tr>
<td>Competitive fixed pay - basic cash salary</td>
<td>Competitive fixed pay - basic cash salary</td>
<td>Job security</td>
</tr>
<tr>
<td>Learning &amp; development opportunities</td>
<td>Competitive employee benefits</td>
<td>Competitive fixed pay - basic cash salary</td>
</tr>
</tbody>
</table>

However, those companies who find it easiest to recruit tend to rank learning and development opportunities as the second-most important factor (behind their brand) in attracting employees.
That said, competitive fixed pay is still seen as a significant factor in retaining staff in Central and Southern Africa, as this regional comparison of top retention factors indicates:

<table>
<thead>
<tr>
<th>Central Africa</th>
<th>Eastern Africa</th>
<th>French Speaking Sub-Saharan Africa</th>
<th>Southern Africa</th>
<th>Western Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Competitive employee benefits</td>
<td>Learning &amp; development opportunities</td>
<td>Competitive employee benefits</td>
<td>Learning &amp; development opportunities</td>
<td>Organisational philosophy that recognises and pays for performance</td>
</tr>
<tr>
<td>2 Learning &amp; development opportunities</td>
<td>Job security</td>
<td>Variable pay</td>
<td>Job security</td>
<td>Job security</td>
</tr>
<tr>
<td>3 Career growth opportunities and job advancement</td>
<td>Organisational philosophy that recognises and pays for performance</td>
<td>Career growth opportunities and job advancement</td>
<td>Variable pay</td>
<td>Quality of managers &amp; leadership</td>
</tr>
<tr>
<td>4 Job security</td>
<td>Competitive employee benefits</td>
<td>Learning &amp; development opportunities</td>
<td>Competitive employee benefits</td>
<td>Variable pay</td>
</tr>
<tr>
<td>5 Competitive fixed pay</td>
<td>Quality of managers &amp; leadership</td>
<td>Job security</td>
<td>Competitive fixed pay</td>
<td>Employer brand</td>
</tr>
</tbody>
</table>
Talent management and labour market features

- Performance management and private medical schemes are the most common reward practices in use. Share schemes and remuneration committees to set pay levels are least commonly used.

- The proportion of indigenous and multinational companies using formal practices to govern pay and performance levels has increased. Multinationals remain more active in this area than indigenous firms.

- While managers are generally considered to perform well at day-to-day operational activities, they are considered to be less capable when it comes to people management, especially as related to retention, productivity and engagement.

- Management training yields significant benefits, particularly in improving people management skills.

- Sub-Saharan African organisations spend 1.78% of payroll on training, an average of $515 per head. Indigenous companies invest more in training than multinationals.

- Respondents say they are least effective at succession planning and development, particularly of managers and leaders.

- Respondents believe regulation of labour markets has increased and will continue to grow.

- 31% say that they would be more likely to hire more employees if labour regulation were to decrease.

- Almost all respondents would work with competitors and government to grow the skills base.

- Around one-third of respondents believe there is some/moderate corruption when it comes to granting work permits. In French-Speaking Sub-Saharan Africa, companies believe that corruption is endemic across all regulatory practices in the labour market.
Performance and reward

Organisations have long used performance management and reward as ways to retain and direct talent. Linking pay to performance and providing meaningful benefits packages are just two of the many levers that can be used to ensure employees perform at their best, and contribute to the company’s goals.

This year’s data shows that amongst those Sub-Saharan companies that use these levers across the entire workforce, the two most common practices are performance management and the provision of private medical schemes. Least commonly used are share schemes and the use of remuneration committees to set pay levels.

Performance and pay practices

- A formal performance management process is in place for these employees: 49%
- Private Medical Aid or insurance is compulsory for these employees: 48%
- Membership with an occupational retirement scheme is compulsory for these employees: 41%
- Pay is linked to individual performance for these employees: 38%
- Remuneration is quoted on a cost to company (total guaranteed package) for these employees: 35%
- Pay is set with reference to remuneration benchmarking surveys for these employees: 35%
- A remuneration committee governs employee pay for these employees: 24%
- These employees participate in a share incentive scheme: 17%
Drilling down into the data, the following trends are worthy of notice:

- The proportion of indigenous and multinational companies formalising practices to govern and regulate performance and pay in general has increased since 2013.

- The proportion of multinationals linking pay to individual performance, benchmarking pay, providing share incentives, and using remuneration committees to govern pay for expatriates and management staff has doubled since 2013.

- Proportionately, multinationals are still more active than indigenous companies in governing performance and pay.

- Respondents show a slightly lower propensity to adopt performance and pay practices for expatriates (as opposed to other employee groups); a feature which is more pronounced amongst indigenous companies.
Pay benchmarking practices

When it comes to benchmarking pay, those organisations that use it tend to use available country industry and job data. The lack of such data is the most common reason cited for not benchmarking pay.

Managerial capability

Managers are the backbone of any business, and so their performance and capability is critical to success – particularly when it comes to managing the teams under them.

In general, respondents rate their management capabilities as strongest in the practical, day-to-day activities associated with running a business. While they believe that managers are good at motivating and driving teams, they consider managers to be less capable in undertaking a range of people management activities that are often core to retaining staff, and ensuring that they are productive and engaged. Such activities include succession planning, developing talent, transferring skills, engaging employees and managing performance.

Managerial capability - lowest to highest

Against this backdrop of poor managerial performance in people management, it is heartening to note that when organisations do invest in management and leadership development, they see results. Most notable, in this context, is the 20% increase in managers’ and leaders’ ability to motivate teams to achieve results, and in managing employee performance.
Managing and growing talent

Across the full respondent base, including the public sector, Sub-Saharan African organisations invest 1.78% of payroll in training, on average US$515 per head. It is of particular note that indigenous companies invest more in training than do multinationals.

Training investment by organisation type
In rating their performance in the key talent management practices, respondents felt they were most effective in planning their resource needs (although the sophistication and horizon of this planning isn’t specified), and least effective at succession planning and development – particularly at management and leadership levels. Earlier in this report we noted that executive and management / supervisor turnover has increased in 2013. Taken together, these data points suggest that organisations should be placing special emphasis on succession planning and the development of future leaders.

**Talent management practices**

- Workforce planning: 65% now, 25% future
- Implementing internship / sponsorships / learnerships: 61% now, 26% future
- Measurement of manager and leaders effort and commitment to people management through the performance management system: 50% now, 36% future
- Management and leadership development programmes: 50% now, 38% future
- A process to identify, grow, manage, and retain talent with high potential in the organisation: 47% now, 39% future
- Coaching and mentoring to leaders: 43% now, 38% future
- A plan for leadership succession: 40% now, 39% future
- Defined and formal career ladders: 35% now, 41% future
Labour market

Last year, respondents said they believed that they complied with or exceeded the minimum standards set by government, and this sentiment prevails. What has changed is that respondents now feel that labour markets are less effective, and they anticipate increased market regulation. The latter trend is most marked in Eastern Africa, where 80% of respondents expect labour regulations to increase. Perceptions of greater regulation of labour markets have a direct impact on job creation, with nearly one-third of respondents saying they would be likely to hire more employees if regulation were to decline.

Given the persistent finding that some skills remain in short supply, it is significant that almost all respondents indicated a willingness to work with other industry players and government to grow the skills base.

Greater government involvement in labour markets must also be seen in the context of the finding that around one-third of respondents believe there is some or moderate corruption when it comes to the granting of work permits. In Eastern Africa, one in four believe that corruption in this area is significant.

More worrying still, approximately two out of five French-Speaking Sub-Saharan African companies believe that corruption is endemic across all regulatory practices in the labour market.

Perceptions of labour market corruption
Expatriates

- Demand for expatriates remains constant overall.
- Preference for reducing dependence on expatriates and transferring skills remains marked, but seems to be less urgent.
- The demand profile for expatriates is constant across multinational and indigenous companies.
- Amongst those companies focusing on recruiting expatriates, there is growing focus on using talent from other African countries or talent from the returning diaspora.
- While turnover amongst expatriate employees remains low, there are indications of slightly greater mobility.
- The time taken to fill vacant expatriate positions has increased.
- The premiums paid for expatriate skills have declined sharply.
Expatriates

Expatriates remain a significant feature of African workforces because of the strategic role they are likely to play. (For example by filling senior positions where there is a lack of suitable local talent, providing scarce specialised skills, or driving initiatives such as launching new product lines or greenfield sites.) Although in numerical terms they make up just under 3% of the employee base among the organisations responding to this survey, understanding the dynamics of this segment of the market is important to understanding the total picture of Africa’s talent trends and challenges.

The demand for expatriates

In line with the results of the 2013 survey, one in three respondents expect the demand for expatriates to remain constant, while half expect demand to decline. However, what has changed is that the strong sentiment that there would be a lower requirement for expatriate skills across all categories of skill has lessened somewhat. This may indicate that a certain level of expatriate involvement is becoming more acceptable.

Generally, respondents continue to express a preference for employing local talent over expatriates.

When considering the demand profile for expatriates, the following points are notable:

- Both indigenous and multinational companies display identical demand profiles for expatriates.
- The demand for expatriate skills in management/supervisory skills has grown by 5%, while the demand for technical/operational skills has grown by 6%.
- Demand for expatriate skills has grown particularly strongly in Eastern Africa, with one in four respondents expecting to recruit more expatriate executives, and one-third expecting to recruit more expatriate managers, professionals, and technical/operational skills.
- The most common reason given for a reduced reliance on expatriates was a deliberate strategy by organisations to use more local labour. However some respondents indicated that an increase in the availability of local skills had made the need to rely on expatriates redundant.
Sourcing expatriates

Overall, there is little change in the expected demand for expatriate skills – even when companies indicated that sourcing skills had become harder.

However, those companies that have a focus on expatriate recruitment are expected to increase their use of alternative labour markets. As the graph below shows, those that currently recruit from other African countries expect to increase their activities from 24% to 32%, while those relying on the diaspora intend to increase their recruitment by some 6%.

Alternative labour markets when organisations have a high expatriate recruitment focus
Organisations use different methods for recruiting expatriate and local employees. Executive search/headhunters, recruitment agencies, and company websites are most frequently cited as preferred recruitment methods for expatriates. These are also the preferred methods for recruiting from the returning diaspora. By contrast recruitment agencies, national newspapers, and staff referrals are cited as the preferred recruitment methods for local employees.

Expatriate turnover

The turnover of expatriate staff is lower than that found amongst local employees. Long contracts and the tendency to extend contracts may contribute to this tendency.

However, there are some nuances in the retention data as shown in the following table. The main points to note are:

- In those employee categories where the percentage of employee turnover is below 5% – that is, very low – the value for expatriates has declined. In other words, expatriates are somewhat more mobile than they were in the past. This slight increase in expatriate mobility is most marked in the customer-facing roles.

- The percentage of local employees falling into this low-mobility category has declined sharply, when compared to expatriates – particularly in the case of local executives and professionals. This would seem to indicate that local employees with these (scarce) skills are able to move jobs more easily, and are increasingly in demand.
### Percentage of employee turnover below 5%

<table>
<thead>
<tr>
<th></th>
<th>Executives</th>
<th>Management / supervisor</th>
<th>Professional</th>
<th>Technical / operational</th>
<th>Customer facing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expatriate</td>
<td>Local</td>
<td>Expatriate</td>
<td>Local</td>
<td>Expatriate</td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td>89%</td>
<td>88%</td>
<td>89%</td>
<td>72%</td>
<td>84%</td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td>88%</td>
<td>74%</td>
<td>83%</td>
<td>64%</td>
<td>79%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>1%</td>
<td>14%</td>
<td>6%</td>
<td>8%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Longitudinal expatriate turnover

- **Less than 5%**
- **5% - 10%**
- **10% - 15%**
- **15% - 20%**
- **Greater than 20%**
Attracting expatriates

The survey results show that it is taking longer to fill expatriate vacancies in all categories except management and supervisors with more vacancies taking between two and four months to fill. This increase in the time taken to fill vacancies for expatriates is most notable when it comes to executive positions, 38% of which take between four and six months to fill.

As regards to perceptions of the governmental approach to the employment of expatriates, no consensus emerged. Respondents were evenly split between those who felt that there had been no change and those who felt that governments had made it harder to put expatriates on the payroll.

When analysed on a regional basis, however, it seems as though some trends are evident:

- Respondents from Central Africa (56%) and Eastern Africa (62%) believe that the government is making it harder to employ expatriates.
- Respondents from Western Africa (78%) indicate that there has been no change in the government’s approach to the deployment of expatriates.
Cost of expatriates

The 2014 survey shows a clear decline in the premium African companies are willing to pay to expatriates. Results from the 2013 survey indicated that one in three expatriates in executive positions, and one in five in other categories, received a salary that was three times higher than was paid to their local counterparts.

That premium seems to have dropped to 50% for almost half of all the respondents according to this year’s data, and part of the reason for this may lie with the change in the demographics of the survey participants. Other factors which may be driving this trend include:

- Many destinations previously categorised as ‘hardship’ destinations are now becoming more familiar or better understood.
- The increased use of African expatriate talent, which may be cheaper than talent sourced from beyond the continent.
- Lower job opportunities in the developed world increase the relative attractiveness of Africa as an employment destination.
- Increased awareness and management of expatriate pay, and the better management of expatriate talent.
- Shortening of expatriate rotation cycles / contract lengths.
Managing expatriates

A top priority for respondents continues to be reducing their dependence on expatriates. As part of this process, the transfer of skills is recognised as vital. However, respondents are seeing the management of the cultural differences between expatriate and local employees as less important. This is worrying because bridging cultural gaps plays an important role in facilitating the successful transfer of knowledge. For most respondents, managing the compliance aspects of employing expatriates remains a prime concern.

### Imperatives for Expatriates, ranked highest to lowest

- Managing the risk of compliance failure (e.g. tax, immigration, foreign exchange, social security, labour laws)
- Skills transfer from expatriates to local employees
- The importance of achieving greater indigenous representivity by replacing expatriates working at management levels
- Proactively building a potentially mobile workforce
- Reducing expatriate costs to company
- Managing cultural differences or frictions between expatriates and citizens employed by your organisation
- The reintegration and retention of expatriates in home markets following expatriate assignments
- Improving the attractiveness of your organisation to potential expatriate employees
- Total
Conclusions and issues for action

1. Think about how to retain skills as much as how to find skills

   In an environment characterised by increasing competition for skills, organisations need to have a holistic view of their resourcing and talent needs. Finding and securing the right skills is only half the solution; retention is the other. Successful retention has a positive knock-on effect by removing the need to re-enter the recruitment cycle. Learning and development has emerged as a key retention factor for both indigenous and multinational companies. Organisations would do well to understand what their own unique retention factors are, and if learning and development is one of them, whether their investment is sufficient compared to other employers.

2. Have a unified and deliberate approach to managing talent

   Organisations are right to recognise the importance of employer branding as a significant factor for attracting employees. Organisations are also right to identify workforce planning, management and leadership development, talent management, and succession planning as key HR priorities. As the survey indicates, many organisations recognise these elements as important, but aren’t as purposeful or consistent in their execution. A unified approach to managing and retaining talent is required; one that integrates all these different pieces.

3. Partner to grow skills

   Technical and professional skills are increasingly becoming the most contested in the war for talent, yet almost all respondents indicated that they would be prepared to work with other participants in their industry and/or with government to grow skills. Partnerships within the private sector and between the private and public sector can be significantly more effective than individual efforts to address skills deficiencies. However, this approach requires both the commitment of all parties, and the hands-on involvement of employers in the design and implementation of resultant programmes.

4. Adapt HR processes for local conditions

   A more competitive environment requires the HR function to be flexible enough to adapt to local needs and conditions. In particular, organisations operating in more than one country need to ensure that HR functions that most directly impact on their ability to find and retain talent can be appropriately customised.

5. Consider your capability for success more broadly

   A solid capability in people management is one of seven capabilities that EY identifies as critical to success in Africa. By rating themselves on these seven capabilities, organisations can assess their level of strategic thinking and execution, and how well positioned for success they are.

Source: EY, Africa Business Center™.

EY’s 7-P model for effective strategy execution in Africa

- **Planning**
- **Portfolio**
- **Partnership**
- **Purpose**
- **People**
- **Perspective**
- **Patience**

The harder elements of strategy formulation and execution require intellectual acuity, i.e., IQ.

The softer elements of strategy formulation and execution require emotional intelligence, i.e., EQ.
Africa Business Center™

We help companies navigate the opportunities and challenges of doing business across the African continent. Although the risks in investing in Africa may appear high, risk can be managed, and the rewards can be great. That is why we are investing in growing our integrated Africa presence and capacity to serve our clients who are also investing in and across the continent.

We now enjoy an integrated representation in 33 countries across Africa, described in the media as “one of the biggest changes in the accounting profession in more than 100 years.”

Today, we are able to navigate successfully through the complexity that our clients are experiencing across the geographies, and the diversity of market sizes and sophistication. We do this through our Africa Business Center™: its sole purpose is to assist clients in making their investment and expansion decisions in Africa.

Our Africa integration benefits our clients through:

› A network of people across Africa and the rest of the world, enabling us to coordinate our resources to provide clients with a single point of contact

› Pre-eminent thought leadership and events such as the Africa Attractiveness Survey and the Strategic Growth Forum Africa

› The unique Growing Beyond Borders™ software – an interactive map-based tool that visually maps data through the lens of the continent’s geography

› A proven methodology for supporting the development of growth strategies for Africa
Our purpose: committed to building a better working world

At EY, we are committed to building a better working world with increased trust and confidence in business, sustainable growth, development of talent in all its forms, and greater collaboration.

We want to build a better working world through our own actions and by engaging with like-minded organisations and individuals. This is our purpose and why we exist as an organisation.

Running through our organisation is a strong sense of obligation to serve a number of different stakeholders who count on us to deliver quality and excellence in everything we do.

We want to use our global reach and scale to convene the conversation about the challenges facing economies and the capital markets.

When business works better, the world works better.

Our values

- People who demonstrate integrity, respect, and teaming.
- People with energy, enthusiasm, and the courage to lead.
- People who build relationships based on doing the right thing.

Our values define who we are. They are the fundamental beliefs of our global organisation. They guide our actions and behaviour.

They influence the way we work with each other, our clients, regulators and communities, where we use professional skills to create positive change close to home and around the world.

Every day, each one of us makes choices and decisions that directly affect the way we experience each other and the way our clients and wider communities experience us. Our values give us confidence that we are using the same principles to help us make these decisions throughout our global organisation.

EY is committed to doing its part in building a better working world.

The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.
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